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ROMANIA - Factory Visits

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ROMANIA - Factory visits

INTRODUCTION In March 1998 the Clean Clothes Campaign/SOMO conducted research on working conditions in Romanian garment factories. We visited 10 former state owned companies which are now either fully privatised or are still partly owned by the state. In addition we visited eight private companies and three agents of which one also had a small factory in an apartment, one co-operative and three joint ventures with foreign investment. Interviews were held with the management, workers (mostly outside of the factory) and the four large trade union (con)federations. We also visited various NGOs that deal with environmental, consumer, womens and human rights issues.

For company profiles

The fashionable long skirt you find at an H&M shop in the Netherlands, Germany or Sweden at the price of \$23 might have been made at a factory in Romania where the workers receive about \$0.9 for making this garment. The trousers sold in a C&A shop in the UK for \$52 could have been sewed by workers in Romania who received only about \$0.74 for doing the job.

Romania has become a major Eastern European supplier for the Western European market. This production locale has the advantage of close proximity to the sales market making fast delivery times possible. It is possible to drive a truck to and from Italy in one day. The production costs are relatively low. Labour costs are cheap as wages in Romania have remained low. Most of the buyers from EU countries bring in all or part of the materials necessary to produce garments and with Romanian labour the fabrics are converted into clothing, for subsequent reimportation to the EU. Romania has a qualified work force, and had been producing for the Western European market for quite a long time. North American buyers have also visited Romania where they order large quantities for low prices. In the case of North American buyers the fabrics are usually purchased in Romania, or imported from Asia.

HISTORY

Romania is a major clothing producer. Before the revolution the industry was set up mainly with the aim of achieving a high degree of national industrialisation and provide employment for surplus female labour. Before 1990 the textile and garment industries were the country's second largest employer.

Romania already had a textile industry, first for wool (established in the 19th century), and then cotton (starting at the beginning of the 20th century). In the late 1940s a garment industry began to grow alongside these same centers of textile production. As output expanded over the years a growing amount was exported to other socialist countries. In the 70s the production of clothing was decentralised from locations in Transilvania to all the major cities. The garment industry was then characterised by large vertically integrated production facilities. The workforce at these firms numbered in the thousands with the largest located in Bucharest with 16,000 employees.

Trade relations in Romania were maintained by special departments of the trade ministry, the one responsible for garments was called CONFEX. They handled all contacts with foreign buyers, including Western European retailers, and were also responsible for the production planning, deciding who, what and where orders were filled.

With the collapse of central planning in 1990 and the loss of traditional export markets there was a sharp decline in production. The large units were reorganised into smaller units. Throughout the sector there was a need for investment in modern equipment to keep up with price competition and quality standards worldwide. The amount

nothing directly for us at this moment, but we're supporting several human rights defenders in Thailand and Malaysia

of workers in the state-owned companies sharply decreased within a few years. Suddenly, Romania was faced with an unemployment rate of 18%. Now, in March 1998, the current unemployment rate has declined to 9.7%. However, many people are not included in this percentage as they choose not to register.

At the beginning of 1997 the industry started to recover as Romania offered a more favourable climate for foreign traders and investors. More and more companies came to see the advantages of buying garments in Romania which has a skilled labour force, low labour costs and experience in producing for Western European countries. And of course the proximity to the Western European market was seen as an asset.

LOHN SYSTEM

Most of the orders placed utilise the "lohn system" (which works as Outward Processing Trade (OPT)), meaning that the buyer delivers all materials to the producer, who only provides the labour and the workplace, after which the buyer re-imports the finished merchandise. For the short term this is seen by factory managers as a good system as they cannot afford to buy the materials themselves. In this way they have a relatively fast cash flow without taking a lot of risks. The lohn system benefits Romania through the increase of sourcing by Western European buyers, an increase in domestic investments, and through technological upgrading.

On the other hand many managers complain about the low profit margin on garments produced using the lohn system. They see this, in addition to inflation and the extremely high interest rate on credit, as a main obstacle that prevents them from making needed investments. As one manager said; *'It's a matter of survival and that is not a good basis for running a company'*

Vertically integrated factories which produce both fabric and garments might specifically feel this pressure. Because of the lohn system they cannot use their own fabric in their garment production. Because the situation for the textile industry is not so rosy we see that in some of the factories we visited in this category the mostly smaller (in terms of employees) garment-producing facilities support the textile section which operates at a loss.

- *Garment production is now the priority in the factory (17) because there are plenty of orders for garments and not enough for textiles. After 1990 there was a reorganization of the whole factory. It was a hard time, they had to dismiss a lot of people.*

Because the production cycle for fabrics is so much longer than that for garments, the interest on the credit to be taken to pay for the raw materials is generally seen as a large burden. According to the Business Development Group the production cycle for garments in Romania is 30 days, for fabric 90 days.

The buyers choose to bring their own materials because regulations protecting the textile industry in the EU countries makes this advantageous. Outward Processing Trade does favour garments over textile through EU regulations. For more on the advantages of the lohn system and EU regulations, see the section on Outward Processing Trade in the chapter on Poland.

MARKETS

All factories which were visited produced almost exclusively for export. Managers explain that producing for the home market is not viable at all, simply because the buying power of Romanian consumers is too small. Therefore the retail networks are sparse. Especially in rural regions, product distribution channels are poorly developed.

- *A factory (6) in Sibiu: 5% of their production is for the local market. For this production they buy their own material. The production for the domestic market is sold through state wholesalers. The state wholesaler system used to be a good functioning system for local distribution but after 1990 the state wholesalers lost a lot of their customers and couldn't meet their payments. However, a few of them are still functioning quite well. The production for the home market is decreasing by 50% each year. The reason for this, the manager of the factory tells us, is that Romanians don't have the money to buy new clothes. They prefer to buy second hand clothes and imports from Turkey and China which are much cheaper. For a shirt produced for the home market he gets 67,000 lei. The shirt will be sold in the shops for 110,000 lei.*

Between 1993 and 1997 Romanian textile and garment export increased by 220%. By 1996 manufactured goods had reached 89% of total textile and garments export. The main share of production is exported to Western Europe, especially to Italy and Germany, which are close to Romania. The UK, Belgium and the Netherlands are other important markets. Romania is the second largest textile and garments exporter to the EU after Poland. As far as it is possible to estimate on the moment it seems that the United States market is gaining in importance, although export to the USA is limited by barriers and restrictions. Most of the managers said they had long term relations with their Western European customers.

In a report on the Romanian Textile Industry (November 1997) the Business Development Group Romania mentions the following traditional partners for the textile and garment industry:

- **France:**
 - Carrefour,
 - Weil Brothers,
 - Group Andr  ,
 - Just Temps,
 - Tati,
 - Camaieu,
 - Redoute,
 - 3 Swiss
- **Germany:**
 - Mondl,
 - C&A,
 - Marks & Spencer,
 - Kaufhof
- **Italy:**
 - Vestebene,
 - Stefanel,

- Erreuno,
- Marzotto
- **UK:**
 - Woolworth,
 - Marks & Spencer,
 - Champbridge,
 - Ravita,
 - Company It,
 - Major-Minor
- **Belgium and the Netherlands:**
 - Berghaus,
 - Look International,
 - Max Abram
- **USA:**
 - The Limited,
 - Casual Corner,
 - J.C. Penney,
 - Cygne Design,
 - Norton Mc Naughton,
 - Rafaela,
 - Sears

For information on the buyers we found in this research see the short factory profiles included in this report.

PRICES

- *A BASLER shirt is sold in the shops for 250 DM, while the factory (5) only gets 10-12 DM for the production of this shirt. The managers think the difference is too big; "it's more or less a kind of exploitation". Compared to other clients SHE UND BOGIE and BASLER are good clients but still they only get 5% of the sales price.*

Another factory (6) produces for a Romanian intermediary with a profit margin of 3-4%. They expect this to double when they deal directly with the German partner (who is also an intermediary). One shirt, including material, etc, is sold in Germany for 40 DM; they get 1.58 DM for the work.

The manager of a factory (8) in Botosani says that he is not satisfied with the pricing. He will get 2 DM for one shirt while a large company, that has had a longer relationship with the customers, would get 6 or 7 DM for the same shirt. He has been doing subcontracting work for a large company, making shirts for Steilmann and Benetton, and this even paid worse; he would only get 1.5 DM for a shirt.

TYPES OF COMPANIES

The beginning of the 90s was also a time for private initiatives and thousands of so-called 'newly born' companies emerged. In the beginning of 1997 the number of registered companies in the Romanian garment industry was 3199.

PRIVATE COMPANIES

Labour laws are largely ignored or at best are only partly followed in the private companies, unions have no hold within these workplaces whatsoever. In economic terms some of the companies we visited have been doing rather well. They have built up their own customer network, and within a relatively short time have seen their production increase, and their workforce grow accordingly. But the majority of the private companies are small with between 10-100 workers.

- *Factory 17 also sub-contracts, they do so to small private companies with 10-70 workers. There have been situations where 25 small sub-contractors were producing one order together, but quality control, cutting and logistics were still done at factory 17.*

PRIVATISATION

The privatisation process started in 1991. The initial plan was to have most of the state-owned factories privatised by 1998 (excluding strategically important firms like mining firms and the railways). But although the State Ownership Fund had a legal requirement to annually sell off 10% of the state equity it holds, this did not happen.

The first part of the privatisation process was done through the State Ownership Fund which distributed 30% of the shares of state-owned companies (in vouchers) among the entire population over age 18 (later these could be exchanged through Private Ownership Funds for shares in particular companies). In the second phase of privatisation the remaining 70% of each state-owned company was offered for sale through:

- The MEBO method (the stock shares are bought by management and employees)
- The sale of shares through the State Ownership Fund
- The creation of joint ventures with foreign capital

The privatisation process has not been very easy in Romania. The pace has been very slow and it was mostly the small and middle sized firms that were sold in the first years. Many clothing producing factories were quite large, but now most are smaller than they were in the 70s and 80s. Some of the major units have been split up. For example the largest factory in Bucharest has been split up into eight different factories which made the process of privatisation easier. But the vertically integrated companies which are large, unproductive, with surplus capacity, old machinery and usually not fully functioning, are not very popular. Most of these are still partly in the hands of the SOF. Some companies that were nationalised in the 50s, are involved in court cases regarding ownership and therefore all privatisation activities are frozen.

- *A factory we visited in Suceava was established in 1968. In March 1998 a small percentage of the shares is owned by the employees, 40% is still in the hands of the SOF and 46% is in the hands of a Private Ownership Fund. The SOF is trying to find an investor. The factory management has no say whatsoever in the decision the SOF will make. The company is not doing too well as the turnover in 1997 was 40 billion lei, while producing at a loss of 5%. The factory used to produce a lot for the USSR.*

It might be clear that for most of the (former) state-owned companies it has been hard to make the transition. Before 1991 most of the managers of garment factories did not maintain direct relations with the buyers as this was dealt with by a central department of the Ministry of Trade. Many officials of this department took their clients with them as they started their own companies.

- *The manager of these two factories (9) used to be the head of the export department at Confex that dealt with Italian clients. When she started a garment factory she took two clients with her from Confex; Sergio Tucini and Benetton (Italy) which are still main clients.*

The managers of the 'old' factories did not know for whom they produced nor how to find clients. The old state owned-factories were simply not used to the dynamics of a market economy, suddenly they were thrown headfirst into fierce competition for clients, price setting etc. Some, however, were able to make the transition rather well; large companies were divided into smaller ones, changed management, got into joint-ventures, changed production and/or kept old relations with buyers.

JOINT VENTURES

Many joint ventures have been created but most are small investments and several are dormant. German and Italian investors dominate joint ventures. There are a lot of incentives offered to foreign exporters such as the waiving of import duties on foreign equipment and machinery, repatriation of profits, a tax holiday, etc.

FOREIGN INVESTORS

Steilmann

One of the largest foreign investors in the garment industry in Romania is Steilmann. They invested in several factories in Romania, among others in Satu Mare, Craiova and Sibiu.

This German family owned company, celebrating its 40th anniversary in 1998 has come a long way becoming Germany's largest clothing manufacturer. Steilmann's turnover in 1997 was 1.4 billion DM. After four lean years the company showed increasing sales in 1997 and more growth (7%) is forecasted for 1998. Steilmann attributes this to client targeting, improved customer relations and increased export business. One of the examples of this approach, according to Klaus Steilmann, is the cooperation between Steilmann and the German mail-order company Quelle. Together they developed an 'eco-collection'. Not only the environment seems to attract Klaus Steilmann's attention, he is known to comment on social economical forces. He criticises the trend towards globalisation and says that the economically strong nations have a responsibility to those with weaker economies. The Steilmann group's main clients include C&A and Marks and Spencer and it also supplies Aldi and Tchibo/Eduscho. The most important market for Steilmann is Western Europe, Great Britain in particular. Steilmann also has its own shops which display the motto: "fashion for the millions, not for the millionaires".

Brand names for Steilmann include:

- KS,
- Emozioni,
- Co-ordinates.

Steilmann's activities in Eastern European markets now generate about 70 million DM in sales. It has outlets in Argentina, Canada, the UNITED STATES, France, Ireland and Spain.

Incom/Vranco

Incom is a major producer of ladies' outer garments supplying among others Metro chain stores and the Italian UPIM. Incom has subsidiaries in Romania, Portugal and Greece. It is headquartered in Montecatini (Italy) where the design, cutting, quality control and packing of its products takes place. Incom took over GB Padrini, a popular chain of 200 franchised stores that sells men's wear in Italy, Spain, Portugal, Austria, Hungary, Slovakia, Czech Republic, Japan and other parts of the Far East.

Incom has been sourcing in Romania for 20 years. In 1992 the Italian manufacturer decided to take over Vranco (Focsani), to avoid dealing with Romanian middlemen and subcontractors. In 1994 Incom started the construction of a new company, next to Vranco, called Euroconf where men's wear is produced.

Vranco, founded in 1963, was privatised with the help of the PHARE programme through the National Privatisation Agency within the framework of a pilot privatisation programme. Incom acquired Vranco with a 6 million dollar investment for a 71% stake, the remainder was sold to Vranco's management. Vranco worked already with Incom before the takeover as well as with German, French and British customers.

WORKING CONDITIONS

We pretend to work while the state pretends to pay. This is an old joke from before the revolution, and while they still might be pretending about the payment, the work pressure certainly is not imaginary.

Romanian labour laws cover working hours, minimum wages, statutory holidays, paid holidays and paid maternity leave. The legislation provides for social security benefits paid for by employer- and employee-contributions. Romania signed the ILO convention that cuts down the night shift. There is a collective bargaining agreement (CBA) which is negotiated at the national level, on the sectoral level and, when there is a union of course, at the factory level. The sectoral CBA should be respected by all factories. The unions all agree that there is not so much wrong with the law. The problem however lies in respecting and implementing the law. This is even more of a problem in the private companies, where there are no unions and a lot of workers do not have contracts. There are no regulations regarding homework in the law.

The main problem that workers face is that minimum wages do not reach the level of a living wage. The legal minimum wage for the industry is now, September 1998, 600,000 lei gross. In March 1998 the minimum wage was 350,000 lei gross, which is about 275,000 net. Various workers and trade union representatives mentioned in March 1998 that a living wage for a family consisting of two adults and two children would have to be 1.6 to 2

million lei per month (about \$200 to \$250).

- *In one of the factories we visited (10) the manager showed us a book with the wages and hours worked by the workers. There are about eight apprentices who work six hours a day, four days a week. They earn about 120,000 lei per month. The wages for the other workers are between 370,000 and over a million lei. There are also a lot of differences between hours of work corresponding with these differences in wages; from 158-160 hours to as much as 244, 337 hours a month.*
- *In a factory in Hirslau (4) which produces for C&A, Dorothy Perkins, H&M, MCL and Kiabi among others, the manager tells us the average wage is around 1 million lei gross. One worker we talk to tells us the average wage is about 500-600,000 lei. They sometimes even make 800-900,000 lei but only if there are excessive orders and they have to work 10,12 or even 16 hour shifts. She is often not told how much she makes per piece. When there are no orders they don't work or they only work part of the shift. Then they earn as little as 200-250,000 lei. They don't know in advance when they do or do not have to work.*

When a worker doesn't reach the target she doesn't make the basic wage (sometimes not even the minimum wage). Many workers we spoke with during this research complained that targets cannot be reached in a 40 hour work week. According to the labour law, overtime hours should be paid at 200% of the regular rate. In most cases workers earn the same rate for overtime or just a bit more. Wages don't keep up with the inflation rate which is extremely high.

- *Tanja works for factory 9 which makes among others jackets for Benetton. She never makes the target in a 40 hour week. On average she works 240-260 hours a month to reach the target. There is no choice whether to do overtime or not, she says, you simply have to when you haven't reached your target yet.*
- *In January (in factory 20) they made about 500.000 lei, in February 249,000 lei. They said that they work every Saturday but don't get extra pay. On Saturdays they work until they reach the week's target. On a regular day they work about 12 hours. The main problem is that, even when they work between 60-68 hours per week, they don't earn enough to live of. Housing alone costs 500.000 lei per month.*

Between regions we can see differences in wages and work relations. A big share of the garment factories are located in Bucharest, here wages represent the national average. The north-east is very poor and the south-west is by far the richer part of the country. This is reflected in wages and working conditions. In Sibiu (in the south-west of Romania), a city with a long tradition of garment production, managers even feel they have to compete for workers by offering a better wage. Focsani is a town in the poorer eastern part of Romania, near the Black Sea. The garment industry is the main industry in the region, where most of the heavy industry plants have closed down and where there is a high unemployment rate. In addition to two 2 large factories, there are 30-100 other garment producers in Focsani, ranging from very small workshops to relatively small factories.

- *Cost prices are different across the regions of Romania. Moldova is the cheapest area, Transilvania is more expensive and the area around Bucharest is very expensive. That's why company 2 bought companies mainly in the east and in Transilvania.*

HOURS OF WORK

The normal work week is 40 hours. In most of the (former) state- owned factories which were visited overtime wasn't a commonly found occurrence in the workplace. One reason for this is the presence of the union, which has to be consulted when overtime reaches certain levels (set in the CBA). Another reason is also the lack of orders in some of the (former) state owned factories we visited. In a lot of the private companies though working hours are irregular, depending on the orders. Sometimes workers have to work 16 hours per day or work 7 days per week for months on an end.

- *At a factory (3) producing military uniforms for NATO the employees sometimes work from 7:00 a.m. until 10:00 p.m.: it all depends on the orders. Overtime happens a lot, about 10 hours a week (about 1 or 2 hours a day and/or an extra day).*

Planning seems to be a problem for the management and is very hard on the workers as they are expected to work whenever necessary. In addition to excessive hours too few hours can also be a problem when there is a lack of orders. Workers are sent home, sometimes even for weeks 'between the seasons'. As a result workers who are paid a basic salary have to do without the extra payment they receive based on the piece rate, while workers who are paid only for the piecework lose their entire income for the period.

- *VERONICA used to work at a privatised company in Sibiu. There used to be about 4000 to 5000 workers in this factory. Now there are a lot less. She was fired. She had worked 33 year for the same company. When there were no orders, or the material for an order didn't come in they had to take their holiday. Usually the normal working week is 40 hours and overtime should be paid at double rate. In reality it didn't work like this, she says. She worked 10 hours a day, 5 days a week. Sometimes she had to work overtime on Saturday and/or Sunday.*

WOMEN

Only a small part of the work force in the factories are men. They usually work as technicians and cutters. All managers and trade union representatives claim that wages are the same for men and women. A striking example that contradicts this claim is that in factories where women work in the ironing section the rationale for low wages is that: "the job doesn't require any skills". While in other factories where mostly men work in the ironing section the wages are relatively high because: "ironing is a heavy job".

Many older women workers feel threatened because of a company policy to continuously hire younger women.

- *In a factory (20) producing for La Redoute among others we see a lot of older women workers. Later when we talk outside of the factory to some of the women they tell us that if they complain about bad conditions the manager bluntly says: "take it or leave it, you won't get another job anyway because you're too old".*

WORKING ENVIRONMENT AND SAFETY STANDARDS

There are safety requirements in the law which all companies have to respect. This refers to the maximum available amount of dust, toxic gases and noise. A government institute checks these standards in the factories. According to a 1997 government regulation larger companies should have a committee for safety which includes representatives of the management, union and safety inspectors of the factory. When the standards don't meet the safety requirements in the law, as is the case in most factories, the workers are paid a 12% 'hazardous

working conditions bonus'. Instead of the factory taking corrective measures, or the workers or unions pushing for the implementation of the law, everybody seems to accept this situation. For the management it is the cheapest short term option for the workers this money is a welcome supplement to the low wages. This regulation is meant to compensate for temporary failures in working conditions. However, in many cases improvements are never made.

- *The cutting sections is very muggy in this factory (5). Though instructions, in English, on a new machine state that it should not be used without protective gloves, none of the cutters are wearing gloves. There is one woman with a band aid around her finger. The manager explains that she is new to the job.*
- *The dyeing section in a factory (13) producing for Quelle is dark, hot, dirty and the air is saturated with dyes. The machines are old and steam pours out of them. The chemical barrels are open, as well as the machines in which the clothes are dyed. The workers don't wear any protection.*

UNIONS

In Romania there are four large confederations: CNSLR-FRATIA, BNS, Cartel Alfa and CSDR. All have affiliated federations in the garment industry. It takes two unions (on the factory level) to form a federation. More than one union can exist within a factory (although this is not common), organised on the basis of trade. For example one union for technicians and one for stitchers.

Unions operate in most of the (former) state-owned companies and it seems that in these companies workers have a strong awareness of their rights as laid down in the labour law. For the private companies the situation is more difficult. In private companies the management won't allow a union although this is illegal.

- *One of the workers, who works in the finishing section (factory 5) tells us that having a union would be good, but that unions are not allowed in the private companies. She tells us that if people try to establish a union they are kicked out.*

Besides, many workers feel that in a private company it's possible to earn a higher wage but in exchange you pay a price: one has to agree to more work pressure, longer working hours and the absence of a union. One trade union representative stated: 'unemployment is high and people are afraid to loose their jobs, they don't see their own power'. The trade union federations don't have a policy to actively try to organise workers in the private companies, nor do they have an idea of how they could do so. A factory union has to have 20 members or more (and 30% of the work force) to receive federation affiliation. Although the unions are trying to change the law, there is still no personal membership allowed within the unions. This makes it more difficult to organise in small private companies.

- *In a former state-owned factory, which is now fully privatised, a union was recently established. All the arrangements were made without notifying the manager. Only when the union was registered the manager was told about the new union in his factory; "he exploded".*

Even if there is a union in a company there are problems when it is too weak to negotiate. Even if the union succeeds in negotiating a good collective bargaining agreement the management can still refuse to implement it. And even in factories where unions are strong, problems occur for example when the management changes.

"Some union representatives are easily manipulated and have their own personal interests and goals, which are not always the same as the interests of the union members. There was even a case where a union leader became the manager of the company. He fulfilled the two positions at the same time!" In another case a manager closed a factory and later re-opened, getting rid of the union in the process.

BUYERS

Some of the orders come directly from retailers, while some arrive through intermediaries and buying offices. In this research we made a point of asking the management about the influence of the buyers on environmental and social standards. Some factory managers knew about the existence of company codes of conduct but most were in the dark as to the meaning of these codes. When mentioned, the status of the code of conduct is unclear. The managers interviewed understand the company codes to be a set of general recommendations, not requirements. None of the managers said anything about a time span within which these requirements have to be fulfilled.

- *H&M sends them a list of standards (no children working in the factory under 14 years, etc) which is in English. They don't know if this is meant to be a recommendation or a requirement. H&M did visit all the sections but didn't check up on the items mentioned in this list.*

But in other factories, even those producing for companies with a code of conduct managers did not know of any standard other than quality. For example, managers commented that: "H&M and C&A did not make any demand other than having fire insurance for the material they bring to the factory". "Buyers are only interested in the quality of production and delivery times and never asked any questions related to working conditions and work relations".

"No, they [the GAP] didn't ask what the factory looked like, or what the wages were like. It's none of their business. They place the orders and I make them".

That the influence of the buyer can be quite direct became clear where an Italian buyer found out about a strike in a factory where they had placed an order. The strike happened because the management had stalled negotiations for the collective bargaining agreement. When the Italian buyer found out, he phoned the management of the factory and the union was invited to sign the collective bargaining agreement within half an hour.

H&M

Hennes & Maurits is one of the biggest retailers in Europe with its success dependent on low-priced fashion and fast-changing collections. Due to its substantial purchasing volume, all channeled through its headquarters in Sweden, H&M can negotiate the very lowest prices from its suppliers. H&M has 443 stores in different European countries where its fashionable clothes are purchased largely by young consumers.

H&M does not manufacturing any clothing itself but works with numerous factories around the world. H&M has

been the subject of many actions in different European countries, which raised consumer awareness of the bad working conditions found in factories producing for H&M. H&M's adaption of a code of conduct could be seen as one of the successes of the campaigns. During the last year H&M has been negotiating with the Swedish Clean Clothes Campaign about demands that they improve their code and utilise a system of independent monitoring to ensure that the code is truly implemented.

- One of the managers interviewed said that a meeting between H&M and Romanian producers did take place. H&M praised the quality of the garments produced in Romania, the fast delivery times and mentioned the advantage of producing close to the Western European market. It seems that H&M is moving production from Turkey to Romania.

H&M has an office in Bucharest which deals with most of the company's Romanian production, though not with all. During this research we found five factories producing for H&M one of which mentioned dealing directly with H&M in Sweden, while another dealt directly with H&M in the UK. Two of these five factories are wholly privatised, the other three are still partly owned by the State. In four of the factories the average wage ranges from 500,000 to 1 million lei per month. One factory pays a much lower wage and the workers interviewed mentioned a lot of problems.

- *One woman working in the knitting section (19) explains that due to a lack of orders the previous month she only earned 180,000 lei. She is not paid anything extra for overtime, just the normal piece rate. The previous week she did not go to work because there were no orders. The union does not do anything, she says. Today was supposed to be pay day but the workers have not received their wages for last month. The management said it would come later. She tells us that in the knitting section, the wages are very low, sometimes as low as 130-150,000 lei per month.*

Although most of the buyers bring material from outside the country some managers mentioned that H&M is making an effort to buy at least part of their material in Romania which benefits the deteriorating textile industry.

The problems with the implementation of the code of conduct have already been mentioned above. In some of the factories H&M has made recommendations for improvements:

- *When H&M checked the factory their main comment was that the workplace was too hot and steamy. Now the factory (18) is planning to put in a new air conditioning system. H&M also recommended that there should be dressing rooms and showers for men and women. The economic manager said that they would like to make these improvements but will not be able to do so for the next two or three years.*

C&A

Another major retailer which is sourcing from Romania is C&A. C&A sells its garments worldwide in more than 2000 outlets. Their stores are located in Western Europe, the United States, Japan and in some Latin American countries. C&A is sourcing all over the world but claims that most of its clothes are produced in Europe. For years C&A has been targeted by the Clean Clothes Campaigns in the Netherlands, the UK, Germany and therefore it might not be a coincidence that they developed their own code of conduct.

They have their own monitoring organisation (SOCAM) to check on the implementation of the code. In this regard it is interesting to look at the research in Romania. In the five factories we visited which produce for C&A it became clear that the C&A agents did not systematically ask about working conditions. There was no evidence to suggest that C&A distributed its code of conduct to its suppliers.

- *In factory 4, producing for C&A, the manager told us: 'None of the clients have ever mentioned a 'code of conduct'. Contracts are always signed on the basis of delivery times, prices and payments.*
- *In another factory producing for C&A the manager tells that C&A has been visiting the factory a few times. They did not make any specific demands. According to the manager this can be explained by the fact that they do not produce for C&A directly; the orders are placed by Dressmaster.*

The manager of a small factory with 60 employees which was doing production for C&A told about the visit of a C&A team that came to do quality control and checked 'everything': 'they checked the toilets, the wages, asked to see a sanitary certificate'. The C&A team made some recommendations: The fire extinguishers had to be refilled and the manager should do something about the toilets. But when we visited the factory we found that: there is one line of lights above every two lines of tables. The cutting table has no light at all. The place is dusty and cramped. the chairs and tables cannot be adjusted. The factory shares the dirty toilets with the company on the floor below. There is no emergency exit and the factory is on the 2nd floor.